Parkmead Group (PMG.L)* ***Price: 163p / PT: 380p (n/c)*** ***Buy (n/c)***

Our View: Parkmead announced today that it has been awarded six new licences covering a total of nine offshore blocks under the UK 28th Licensing Round. All the licences will be operated by Parkmead, which provides a ringing endorsement of the company's standing with DECC and the industry at large. For us, the highlight of a very successful licencing round and something we did not expect, was the award of two stranded sour oilfields - Polecat and Marten (in Blocks 20/3c and 20/4a, 50% held by Parkmead). The discoveries are within the vicinity of the Perth-Dolphin-Lowlander (PDL) development and thus play into the company's hub-strategy. Based on our preliminary modelling, the fields would have a net unrisked value to Parkmead of 65p/share and 10p/share, respectively. Our policy is to undertake a technical review of any assets before including them, on a risked basis, in our target price. Prior to completing our technical review of the company's newly awarded assets we are holding our target price at 380p/share and maintaining our buy recommendation, but a near term adjustment can be expected.

- The company was awarded Block 14/25 (52% held by Parkmead) which contains the western extension of the Perth field, which could add incremental volumes of oil to Perth. Unlike Polecat, the Perth West extension has yet to have any previous well penetrations, so a discount will be applied and unwound as Perth West is fully drilled up. It is worth remembering, however, that Perth Core has already had several well penetrations which all flowed at compelling rates. The award of Block 14/25 is a positive as it will provide more developmental options for the Greater Perth Area project.

- The award of Block 30/17e (30.5% held by Parkmead) will provide the company with the entire mapped Skerryvore chalk prospect as, prior to today's announcement, only 88% of the prospect was within the company's acreage. We have a very positive appreciation of this prospect and look forward to seeing it being drilled in 2015 (probably in the summer). On a risked basis, the effect of this change on our valuation is 3.2p/share and we therefore prefer to make a single more meaningful change to our target price in due course.

- In addition to the noted assets, the company's newly awarded blocks include seven prospects in which the company has working interests ranging from 25% to 50%. These assets will be the subject of significant geological work, involving minimal amounts of capital spend, before they are progressed to a drill-ready status. At that time we will consider them for inclusion in our target price.

- Capital commitments in respect of the licences awarded to the company are limited to modest geological and geophysical costs.

- The company's pace of development is extraordinary. The hub strategy is already working. The results of the 28th Licencing Round lend clear support to our high conviction view that Parkmead is the best managed mid-cap oil & gas company in Europe.

Brendan Long
*__Corporate client of Charles Stanley Securities__**